



July 2, 2001

Acting Director,
Community Development Financial Institutions Fund
U.S. Department of the Treasury
601 13th Street, N.W., Suite 200 South
Washington, D.C. 20005

Dear Acting Director,

MACDC is a statewide association of non-profit Community Development Corporations (CDCs) founded in 1982 to support and advance the efforts of CDCs to promote economic justice, to encourage social change, and to empower disadvantaged communities and working class people. MACDC currently comprises 70 CDCs, serving thousands of individuals in the state of Massachusetts.

We offer the following questions and comments to assist in the development of the Treasury Department's New Markets Tax Credit Program guidance document:

I. Definitions

- 1) Under the definition of Low Income Community in Section I, please clarify whether the population census tract information used to define the poverty rate will be based on 1990 or 2000 census data?
- 2) Under the definition of Qualified Active Low-Income Community Business in Section I, please provide a clearer explanation of clauses IV and V. We find the current wording very difficult to understand.
- 3) Under the definition of Qualified Community Development Entity or CDE, please note the following. Both in the definition, and in Section IV (Eligibility), there is a question about exactly how an entity "maintains accountability to residents of Low-Income Communities or Low-Income Persons through their representation on any governing board of the entity or any advisory board of the entity." Is there an explicit requirement that Low-Income Persons serve on the board? If so, what happens if their incomes rise about 80% of median during their tenure? How many members of the board, or what percentage of members, must be low-income? In Section IV, it appears that such residents may be "Low-Income Persons or other residents of the Low-Income Community." Does this mean any person living in the community, regardless of their own income, can satisfy the requirement? Is this simply a threshold requirement, or will applicants receive bonus points if they have more Low-Income Persons on their boards?

II. NMTC Program: How the Credit Works

The guidance states (in this section and again in Section IV) that non-profits may be certified as CDEs, but only for-profit entities can “compete for, and receive, an allocation of authority to issue Qualified Equity Investments.” If non-profits cannot obtain the credits, why would they want to be certified?

In addition, we believe that in IRC Section 45D(b)(1)B the “substantially all” standard should be met if a CDE has at least 85% of its cash derived from Credits in qualified low-income community investments between years 2-6. This would make it consistent with the “safe harbor” standard which by statute is set at 85%.

IV. Eligibility

Paragraph 7 indicates that “insured depository institutions” are eligible to apply for NMTC. This makes it sound like banks can apply. We understand that certain SSBICs and CDFIs may be depository institutions, but is it the intent of the statute to permit a broader array of banks to apply? And if so, we suggest that participation by banks should be limited to those that have high satisfactory or outstanding CRA rating, or that they be required to establish a link between their participation in this program and their overall CRA objectives.

V. Evaluation

Under the section labeled Phase I, category (a), it is not clear what the term “institutional investment” means. The section notes that the final review panel can consider geographic diversity in rendering its judgments. Does this section indicate that if we limit the number of Massachusetts applications, perhaps through a collaborative effort among prospective applicants, that we will have a stronger chance to gain approval?

VII. Pending Issues

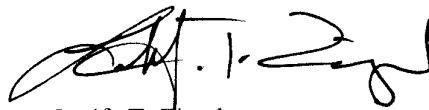
In regard to question 3(b), both the Community Business Network and Western Massachusetts Enterprise Fund in Massachusetts have had considerable experience in gathering data on the impacts of their programs and evaluating the success of both capital and technical assistance they have provided. We would be glad to work with Treasury Department officials and representatives of these two collaborative efforts to see if valuable lessons can be applied to the New Markets program.

Thank you for implementing this initiative. If you have any questions regarding these comments, or answers to our questions, please contact either of us at (617) 426-0303.

Sincerely,



Marc D. Draisen
President & CEO



Latifa T. Ziyad
Director of Economic Development